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AS AT OCTOBER 31, 2006

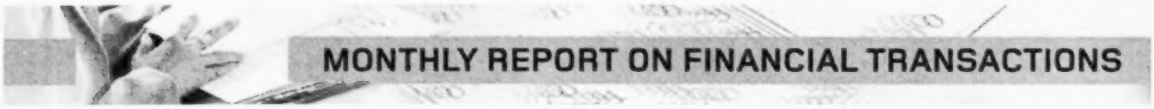
October 2006 highlights

- The budgetary balance for October 2006 indicates that revenue is running $358 million behind expenditure. Nonetheless, this is an improvement of $67 million compared to the results for the same period last year.
- Budgetary revenue amounts to $4.4 billion, an increase of $235 million (5.6%) compared to last year.
- Program spending is up by $198 million (4.9%) compared to the same period last year, and stands at $4.2 billion.
- Debt service amounts to $585 million, down $51 million compared to October 2005.

SUMMARY OF CONSOLIDATED BUDGETARY TRANSACTIONS
(millions of dollars) **(Unaudited data)**

	October		April to October		Update on Québec's Economic and Financial Situation	
	2005 [1]	2006	2005-2006 [1]	2006-2007	2006-2007	Growth [2] %
Budgetary transactions of the Consolidated Revenue Fund						
Own-source revenue	3 374	3 517	25 076	26 971	47 450	3.7
Federal transfers	822	914	5 665	6 356	10 913	9.5
Budgetary revenue	**4 196**	**4 431**	**30 741**	**33 327**	**58 363**	**4.8**
Program spending	- 4 038	- 4 236	- 28 992	- 30 320	- 51 174	3.9
Debt service	- 636	- 585	- 4 007	- 3 987	- 7 205	4.8
Budgetary expendidure	**- 4 674**	**- 4 821**	**- 32 999**	**- 34 307**	**- 58 379**	**4.1**
Net results of consolidated organizations	**53**	**32**	**329**	**146**	**37**	—
Consolidated budgetary balance for the purposes of the Balanced Budget Act	**- 425**	**- 358**	**- 1 929**	**- 834**	**21**	—
Net results of the Generations Fund [3]	—	—	—	—	**579**	—
Consolidated budgetary balance	**- 425**	**- 358**	**- 1 929**	**- 834**	**600**	—

1 Monthly allocation of financial transactions based on best available data and estimates.
2 According to the Update on Québec's Economic and Financial Situation tabled on October 24, 2006.
3 The Generations Fund will go into operation on January 1, 2007.



Cumulative results as at October 31, 2006

Budgetary balance

- For the period from April to October 2006, consistent with the historical trend, revenue is running $834 million behind expenditure.
  - This shortfall will be made up by the end of fiscal year 2006-2007.
- Nonetheless, the budgetary balance has improved by $1.1 billion compared to the results for the same period last year. This improvement is attributable chiefly to an exceptional gain in June 2006 from Hydro-Québec's sale of its interest in Transelec Chile.
  - It is important to note that the government announced in the Update on Québec's Economic and Financial Situation that it will deposit $500 million into the Generations Fund from the profits Hydro-Québec earned from the sale of its interest in Transelec Chile.

Budgetary revenue

- Since the beginning of the year, budgetary revenue amounts to $33.3 billion, an increase of $2.6 billion (8.4%) compared to last year.
- Own-source revenue stands at $27.0 billion, up $1.9 billion (7.6%). Apart from Hydro-Québec's exceptional gain, this improvement results from increased revenue from personal income tax ($816 million) attributable, in particular, to the good performance of the labour market and the introduction of the Child Assistance measure.
- Federal transfers amount to $6.4 billion for the first seven months of the current fiscal year, an increase of 12.2% over the same period in 2005.

Budgetary expenditure

- As at October 31, 2006, budgetary expenditure totals $34.3 billion.
- Program spending is up by $1.3 billion (4.6%) compared to the same period last year. The most significant changes are in the health and education sectors ($711 million and $357 million respectively).
- Debt service amounts to $4.0 billion, comparable to last year's amount.

Net financial requirements

- Net financial requirements are down by $88 million compared to the same period last year. This improvement is less than that of the budgetary balance ($1.1 billion) since, in particular, the profits distributed as dividends by Hydro-Québec are not paid to the government until the end of the fiscal year.

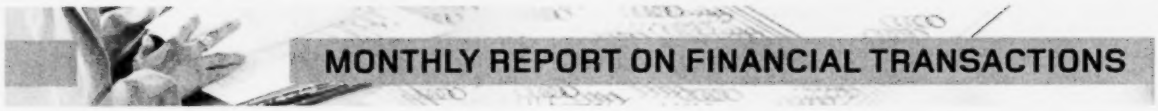
MONTHLY REPORT ON FINANCIAL TRANSACTIONS

CONSOLIDATED BUDGETARY AND FINANCIAL TRANSACTIONS

(millions of dollars) **(Unaudited data)**

	October			April to October		
	2005 [1]	2006	Changes	2005-2006 [1]	2006-2007	Changes
Budgetary transactions of the Consolidated Revenue Fund						
Own-source revenue	3 374	3 517	143	25 076	26 971	1 895
Federal transfers	822	914	92	5 665	6 356	691
Budgetary revenue	**4 196**	**4 431**	**235**	**30 741**	**33 327**	**2 586**
Program spending	- 4 038	- 4 236	- 198	- 28 992	- 30 320	- 1 328
Debt service	- 636	- 585	51	- 4 007	- 3 987	20
Budgetary expendidure	**- 4 674**	**- 4 821**	**- 147**	**- 32 999**	**- 34 307**	**- 1 308**
Net results of consolidated organizations	**53**	**32**	**- 21**	**329**	**146**	**- 183**
Consolidated budgetary balance	**- 425**	**- 358**	**67**	**- 1 929**	**- 834**	**1 095**
Consolidated non-budgetary surplus (requirements)	178	713	535	- 1 219	- 2 226	- 1 007
Consolidated net financial surplus (requirements)	**- 247**	**355**	**602**	**- 3 148**	**- 3 060**	**88**

1 Monthly allocation of financial transactions based on best available data and estimates.



CONSOLIDATED REVENUE FUND REVENUE

(millions of dollars) (Unaudited data)

	October			April to October		
Revenue by source	2005	2006	Changes %	2005-2006	2006-2007	Changes %
Own-source revenue excluding government enterprises						
Income and property taxes						
Personal income tax	1 223	1 123	- 8.2	8 904	9 720	9.2
Contributions to Health Services Fund	427	388	- 9.1	2 960	2 985	0.8
Corporate taxes	286	409	43.0	2 294	2 257	- 1.6
Consumption taxes	945	1 086	14.9	7 348	7 430	1.1
Other sources	188	185	- 1.6	1 378	1 362	- 1.2
Total own-source revenue excluding government enterprises	**3 069**	**3 191**	**4.0**	**22 884**	**23 754**	**3.8**
Revenue from government enterprises	**305**	**326**	**6.9**	**2 192**	**3 217**	**46.8**
Total own-source revenue	**3 374**	**3 517**	**4.2**	**25 076**	**26 971**	**7.6**
Federal transfers						
Equalization	400	467	16.8	2 799	3 206	14.5
Health transfers	259	297	14.7	1 807	2 099	16.2
Transfers for post-secondary education and other social programs	82	85	3.7	573	606	5.8
Other programs	81	65	- 19.8	486	445	- 8.4
Total federal transfers	**822**	**914**	**11.2**	**5 665**	**6 356**	**12.2**
Budgetary revenue	**4 196**	**4 431**	**5.6**	**30 741**	**33 327**	**8.4**

CONSOLIDATED REVENUE FUND EXPENDITURE

(millions of dollars) (Unaudited data)

	October			April to October		
Expenditures by mission	2005	2006	Changes %	2005-2006	2006-2007	Changes %
Health and Social Services	1 678	1 761	4.9	12 215	12 926	5.8
Education and Culture	1 055	1 117	5.9	7 845	8 202	4.6
Economy and Environment	432	460	6.5	3 406	3 516	3.2
Support for Individuals and Families	420	414	- 1.4	2 990	3 006	0.5
Administration and Justice [1]	453	484	6.8	2 536	2 670	5.3
Total program spending	**4 038**	**4 236**	**4.9**	**28 992**	**30 320**	**4.6**
Debt service	**636**	**585**	**- 8.0**	**4 007**	**3 987**	**- 0.5**
Budgetary expenditure	**4 674**	**4 821**	**3.1**	**32 999**	**34 307**	**4.0**

1 The amounts set aside for pay equity were reclassified to the respective missions.

For technical information concerning this monthly report, please contact Mario Albert at (418) 691-2225.
This publication is also available on the web at: www.finances.gouv.qc.ca.